Agricultural trade liberalization and small-holder development: West African rice farmers in perspective

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Abstract
The world’s agricultural system has become globalized, income distribution asymmetrical, and poorer and small-scale households in rural areas turned into net buyers of food, which has heightened the threat to food security and livelihoods, especially for the poorest people in developing countries. Yet, controversy still surrounds the extent to which agricultural market liberalization has impacted on small-holder farmers, especially in developing countries of the global South. The mainstream assumption is that liberalization has benefited small-scale farmers through cooperatives and farmers’ associations, better infrastructure, credit facilities and other capacity-building activities. Using a descriptive qualitative approach and focusing on the west African rice farmers, this paper argues that contrary to mainstream assumptions, agricultural trade liberalization has retrogressed small-holder rice farmers’ development in west Africa through biased policies such as domestic subsidies, dirty tariffication, 1 commodity standardization, bilateral trade agreements and other policies that favor rich and industrialized farmers in developed countries over poor agro-ecological small-holder farmers in developing countries, and also through the stripping of public support from the farmers.

Introduction
Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this occasion might (present) no doubt (will) be very considerable (Smith, 1776).

Ignoring the warnings of Smith, the neoliberal orthodoxy came with promises of prosperity for developing countries’ farmers through liberalization in agriculture. Underpinning this idea is that developing countries would export through agricultural liberalization since they hold comparative advantage over the industrial countries. However, with over three decades since the neoliberal market paradigm, 15 years after the transition from the General Agreement of Tariffs and Trade (GATT) to the World Trade Organization (WTO), and almost 9 years since Doha, the outcome of ignoring Adam Smith’s warning is telling a disastrous tale on the world’s agriculture and poorest farmers. Gradually, the local market of the small-holders is eroding and shifting unrestricted into the grips of the rich industrial countries’ farmers, yet market fundamentalists still hold the view that unrestricted agricultural markets could reduce poverty by 15% before the Millennium Development Goals deadline (Aksoy and Beghin, 2005) and that India could reduce poverty by 75 million through agricultural liberalization (Cline, 2004). It was equally argued that economies that open up for liberalization could double their size in 16 years, while closed economies would take nearly a hundred years to attain the same level (Sachs et al., 1995)

Underpinning the fundamentalist assumption is the idea that since developing countries are agriculture based they command a comparative advantage over the developed countries. Presumably, agricultural liberalization will drive more production of crops for export and as a result ensure food security and the development of small-holding through collective action of cooperative groups, communication and technologies, credit facilities and better infrastructure associated with investment. A similar assumption is that through increased production, firms will enjoy economies of scale, and competition will ensue, resulting in quality and efficiency of production and cheaper commodities for the poorest in the society.

Conversely, rather than act as a pathfinder for a robust agricultural sector, liberalization jeopardized the development capacity of the small-holders. Through liberalization, the small-holder lost food and market sovereignty in the domestic and local market, while struggling for entry into regional and international markets. The commitments of developed countries are hollow and concession is not within sight. While agricultural liberalization has already made developing-country markets porous, developed countries are demanding more porosity as a condition for concession to attain a fairer, inclusive and human-centered agricultural trade. This has not only undermined the capacity of developing-country farmers to expand, but has made the future of small-holder farmers worse, as it serves to intensify pre-existing problems of poverty, trade inequity and inequality that truncate the possibility of the global South following alternative agricultural development trajectories.

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1 ‘Dirty tariffication’ is a situation where countries have deliberately overestimated the levels of protection provided in order to increase their operative base rate of duty resulting from tariffication (see Healy et al., 1998).
Focusing on West African rice farmers with examples from the Nigerian rice sector, this paper argues that agricultural liberalization through persistent harsh policies of the developed countries, which is sustained by the WTO and international financial institutions (IFIs), has retarded small-holder rice farmers’ development in the West African sub-region and created two dialectical worlds of agriculture— one that controls the pattern of food production at an international level and the other that struggles for autonomy and survival.

Methods
Have the removal of support and the subsequent adoption of agricultural liberalization aided or undermined the development of small-holder farmers? In this paper, I use descriptive qualitative methodology with numerical figures to buttress my point. The paper focuses mainly on reviewing relevant literature on agricultural liberalization and small-holder farmers. In doing so, it focuses on rice farmers because, in order to fully grasp the impact of agricultural trade liberalization on small-holder farmers’ development, it is pertinent that an internationally cultivated and traded crop is used and rice serves that purpose.

Agricultural liberalization promises: Real or hollow?
Agricultural liberalization has the potential to eradicate poverty through fair, inclusive and human-centered agricultural policies. Many authors have drawn the linkage between agricultural liberalization and poverty reduction especially for rural small-holder farmers. Price, availability and choices of goods, government transfers, incentives for investment and innovation, evolution of terms of trade, and short-term risk are identified as the link between liberalization and poverty for small-holder farmers (Winters et al., 2004; Reimer, 2002). The argument in favor of agricultural liberalization focuses on drawing the linkage between poor rural farmers and agriculture. Since many poor people work in agriculture, increase in price as a result of distortion would imply increase in income for the farmers, and opportunities resulting from openness would mean increased integration with the regional and global markets.

Although agricultural liberalization has the potential to reach the outcomes highlighted above, evidence shows a reversal—hijacking of the agrofood system by the integrated industrial farmers to the detriment of agro-ecological small-holder farmers. And as warned by Smith (1776) centuries ago, unrestricted trade is a precursor for the diminishing of local production, as goods of the same kind would be poured into the local market so as to deprive the local producers of their source of livelihood. Market is a viable instrument for economic growth and development, albeit that any market arrangement that is not subservient to social needs of the people negates its core function. Therefore, what agricultural liberalization did was to shift attention to market as the subject and the small-holder farmers the object rather than vice versa, thus negating the core function it promised to achieve. With agricultural liberalization come policies that undermine the capacity of small-holder farmers in the developing world to take advantage of their agriculture-based economy. Having lost their sovereignty over food production, developing-country small-holders are now prey to huge industrial and integrated farmers that dump cheap food on their domestic market. Consequently, the food chain has been handed over to the large industrial farmers, without considering that it employs over 1.5 billion small-holders and landless artisans mostly located in developing countries (World Bank, 2007). Therefore, any framework that gives advantage to the integrated industrial agriculture over billions of agro-ecological small-holders negates agricultural development and as a result the social needs of the greater population.

Relying on the argument that freer trade would benefit developing-country farmers in an agriculture-based economy ignores the fact that agricultural liberalization has turned them into net buyers of food and ultimately undermined their control capacity to determine what, how and when to produce within their domestic market. This is compounded by poor infrastructure, limited access to market infrastructure and information, and lack of technology and credit facilities. Unfriendly domestic agricultural policies also hamper their capacity to compete with industrial farmers; hence the cost and benefit of agricultural liberalization is highly asymmetrical against the agro-ecological small-holder farmers. In some cases, the benefits are meagerly reaped only by middle-income countries (Polaski, 2006; Yu, 2007).

It is equally argued that expanded trade in agriculture would trigger massive investment in infrastructure, technology and the required institutions that would promote agricultural development and economic growth. This assumption is misguided because with the adoption of neoliberal policies and structural adjustment in the 1970s, African states were forced to divest parastatal agricultural enterprises (e.g. marketing enterprises), remove subsidies, and reduce or eliminate state involvement in the procurement and distribution of inputs and seeds. The assumptions were that private sector would fill the gap, but the anticipated private sector participation could not materialize, because most African capitalists were very young and lacked the capacity to invest in large agriculture development. Thus, private sector investment in agriculture since then has largely been confined to international capital. Thus, the assumption proved invalid, because transnationals were reluctant to enter the field of organizing and financing national research and development, but rather adopted a

\[\text{In other words, agricultural liberalization made market the focus and subject matter and small-holders the thing or item.}\]
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selective approach of picking from competing nations with existing agricultural research without attempting to build new capacities and capabilities through long-term investment in research (Amanor, 2009). The lack of private sector investment in agriculture is often blamed on bad governance, insufficient social capital and other socio-political conditions, which it is often assumed can be corrected through adjustment programs. Nevertheless, the same adjustment programs proved to be the bane of small-holder development by stripping the farmers’ public support that was previously supportive of their development.

The ability of small-holder farmers to benefit from agricultural liberalization is limited by both internally and externally motivated constraints. Internally, lack of coordinated and functional market, deficient rural infrastructure, and lack of access to technology and credit facilities compound the problems of small-holder farmers. Lançon noted that transport cost and poor access to market can be a disincentive to small-holder rice farmers as the associated cost could pitch them at a disadvantaged position with respect to imported rice even when they can produce with competitive quality and cost (Africa Rice Center, 2002, p 42). Externally, the discriminatory, perverse and hypocritical agricultural policies of developed countries profoundly undermine the development of small-holders in the developing world. High-income countries use a dazzling array of policies to support farm income—such as import tariffs, tariff-rate quotas, subsidies on inputs, outputs and exports, and direct payments to farmers—that give them advantages over small-holder farmers in both developed and developing countries (Stern, 2002; Tokarick, 2008), thus imposing a huge burden on small-holder farmers and rural households whose livelihoods are from small-holding.

Through subsidies, rich countries suppress the developing countries’ small-holder farmers and incapacitate their development. They support their own farmers with large amounts of subsidies yearly, thus putting pressure on the world agricultural market, which harms small-holder development in developing countries. By farm subsidies, rich countries make their farms more profitable, encourage greater production and lower the prices of their output and, as a result, encourage the dumping of cheap, abundant agricultural products on developing countries’ markets. This gives the developed countries’ farmers unfair advantage and control over farmer produce and the market (Aksoy and Beghin, 2005). Stiglitz and Charlton (2005, p 50, 120) note that the Organization for Economic Co-operation and Development (OECD) subsidies total over US$ 300 billion annually, which is around $1 billion per day. In 2000, European Union (EU) subsidies to cattle and cotton were considerably higher than total EU aid to sub-Saharan Africa (SSA) (UNCTAD, 2005, p 155–156). Achterbosch et al. (2004) argue that this level of support allows OECD farmers to sell their products on the world market below the cost of production, thereby depressing world prices and forcing competitors to struggle for survival or exit the market. In some cases, it reduces their productive capacity, forces the farmers to subsistence fallback and in turn pushes them into diversification outside their initial holdings in order to curtail risks and secure livelihoods (Skarstein, 2005; Francis and Francis, 2007). In other words, dumping of subsidized agricultural products has applied strong downward pressure on local and regional food production systems, which introduces strong trends toward the marginalization of small-holders, and triggers considerable re-peasantization within a chaotic agricultural system. This thus leads to deactivation,4 thus driving millions of small-holder farmers off the land into urban slums and international migratory streams, since low prices of agricultural products worsen the livelihood coping strategy for small-holders (Rosset, 2006, p 41). According to UNCTAD (2004), agricultural trade liberalization and the consequent dumping of cheap agricultural products in the least developed countries has generated growing dependency on food imports. Rosset (2006) concludes that the excess of import over export is a good proxy for the livelihoods of the small-holder farmers who are squeezed out of the market they once dominated.

High-income countries also support their agriculture by imposing high tariffs on agricultural goods than on nonagricultural goods, and higher tariffs on finished agricultural products than on primary products. For instance, in the EU, fully processed food from developing countries faces a tariff double that of products at the processing stage. In 2005, western European average tariff on agricultural and processed food was projected to be 30% and in OECD countries average tariff was projected to be 36%, compared to 20% in developing countries (Malhotra, 2003, p. 112). Invariably, developing-country farmers face schemed protection against their finished agricultural products, which hinders them from upgrading from producers of primary goods to producers of finished goods. In some cases, quotas are imposed to restrict the amount of certain agricultural products imported into OECD countries. For instance, fresh tomatoes face prohibitive tariffs in the EU during several months of the year, in order to protect Italian and Spanish producers from those in Latin America and

3 In which imports up to a certain level are subject to a given tariff rate and imports above the quota limit are subject to a different, usually higher, tariff rate.

4 While each cow received S913, average EU aid to SSA was S490 per person, and each person in SSA received an annual equivalent of S8; Japan’s annual subsidies were S2700 per cow and total aid to Africa was S1.47 per person; and the USA cotton subsidies were S10.7 million per day, while its aid to SSA was S3.1 million per day. In 2001, total subsidies by all OECD countries were S311 billion, aid to all countries was S52 billion and the total annual GDP of SSA was S301 billion.

5 Deactivation implies that the agricultural system is actively contained or reduced to enforce gradual release, conversion and reinvestment of agricultural resources into other economic sectors and activities.
Africa (Sharma, 2005, p 15). In cases where developing-country agricultural products are allowed into the developed country market under the special preference scheme, the levels of standardization and quality control are far beyond the capacity of the small-holders. Examining the case of east African livestock, Melaku (2008) argues that generous preferential schemes have no benefit for east African livestock farmers due to stringent sanitary and phytosanitary requirements that are beyond their capacity. Aksoy and Beghin (2005) argue that in cases where developing-country farmers are allowed access due to preferential treatment scheme, the technical standards by the developed country constitute the new form of barrier to trade against small-holder farmers because zero duty access means nothing if the small-holder farmers cannot meet product standards.

It is argued that the removal of protection and entry of the supermarkets into the food chain created space for investment, efficiency and high-quality product standards. In fact, the entry of the supermarket into the chain brought about health and environmental hazards as a result of the use of pesticides, GMOs, etc., thereby creating consumer concern and the tightening of the standard control rules in developed countries (Amanor, 2009). This therefore necessitated increased pressure on the small-holders in developing countries to meet quality standards and produce at rock bottom prices that are often below the cost of production (Young, 2004).

West African small-holder rice farmers in perspective

Rice is the world’s most important food commodity and also the most protected and subsidized of all food commodities (Griswold, 2006). Rice is central to food security: it constitutes the main source of calorie intake for about half of the world’s population and the predominant staple food for 34 countries in Asia, Latin America and Africa (FAO, 2004). It is traded internationally and grown on all continents except Antarctica (Griswold, 2006). In west Africa, rice consumption is growing rapidly and it is gradually replacing traditional foods crops. This was most evident after the drought of the 1970s that resulted in poor harvest of most African traditional foods which promoted rice to become the dominant cereal crop within the region (Africa Rice Center, 2002). This increased the demand for rice beyond the capacity of over 20 million small-holder rice farmers within the region and led to a surge of foreign rice into the sub-region. Following agricultural liberalization, cheap foreign rice flooded the west African market. Consequently, this led to a diminishing of the production capacity of the small-holders and the gradual domination of the west African market by imported rice. Between 1975 and 1985, rice imports into west Africa rose from about 400 000 tonnes per year to 2 million tonnes (mt) and production declined as the sub-region moved from producing 72% of its consumption in 1960s to 59% in 1980s (Africa Rice Center, 2002).

In a review of rice development in SSA, Nwanze et al. (2006) highlight that the increase in the importation of foreign rice in west African despite the long history of rice production in the sub-region is due to the level of government neglect orchestrated by IFIs’ adjustment programs and market liberalization. Hence, the subsidization of rice farming by wealthy countries has consequently led to dumping of cheap rice on west African markets, thereby undermining the competitive capacity of local rice production. While rice consumption and import are diffused among nations, its export is concentrated in the hands of relatively few producing countries and farmers. The outcome of this diffusion and concentration of rice consumption and export undermines the livelihoods of small-holder rice farmers in the west African sub-region. This is because the negative effect of poor rice production in the sub-region, as a result of the monopolization of the rice market by the rich integrated and subsidized industrial farmers, means that small-holder farmers will lose their source of livelihood due to poor production and low price, which in turn are a result of weak competition with subsidized industrial farmers. Invariably the shortfall in production and low price would amount to negative livelihood effect on the health, education and other livelihood assets of the farmer’s household.

Paradoxically, while the governments of most west African countries are subservient to IFI adjustment programs, thus subscribing to the removal of farm support and subsidies to small-holder agriculture, US farmers enjoy subsidies, domestic market domination and import protection from external competitors. The US industrial rice farms are heavily supported through tariffs on imports and direct taxpayer subsidies. OECD trade barriers and government subsidies provide more than three-quarters of the income for their rice; the subsidies to rice sector have averaged $1 billion yearly since 1998 and are projected to be $700 million through 2015 — this will drive the price of rice down by 4–6% (Griswold, 2006; OECD, 2006). This increases the availability of cheap imported rice in west Africa, because overproduction makes exports grow above the levels that even a free and open market could determine. This invariably puts the west African small-holder rice farmers under weak and unhealthy competition with the OECD industrial farmers with better technology and infrastructure.

The ease and conditions under which the rich industrialized farmers produce and the contrasting conditions for west African small-holder rice farmers means that while it is very easy for US rice farmers to produce under government support and good farming conditions, west African rice farmers eke out their living without government support, thus exposing them to severe deprivation and dependency. While the former are isolated from external competition through border protection in the form of outright import prohibition, state trading monopolies, minimum import quotas, high tariffs or variable duties (Calpe, 2005), the latter survive under severe deprivation of support while sustaining the pressure of import competition. This explicitly underscores
the irony behind rice importation in a sub-region with over 20 million small-holder rice farmers, with an additional dependent population of 100 million (Nwanze et al., 2006). Rather than rescind their unfair policies that undermine the livelihoods of the small-holder rice farmers, the USA and EU push their surplus rice production into food aid. The USA and EU accounted for 1.4 mt of milled rice yearly under various food aid programs and this is equated to 5% of global trade in rice (Griswold, 2006, p 5). Ghanaian rice farmer Al-Hassan Abukari lamented the negative impact of imported rice on the small-holder farmers and urged the government to come up with policies that will check the rice imports in order to secure the livelihoods of domestic rice farmers6 (Raworth and Green, 2005).

Al-Hassan’s voice succinctly captures the plight of small-holder rice farmers in west Africa. The dumping of rice, the lack of support and the nonprotection of the farmers provides a green land for the incapacitation of the west African rice farmers by the industrial farmers and their agents. Although it might be argued that rice imports into the region reduced the price of rice to an affordable level, there was no design or strong plan to shield rice farmers in the sub-region from weak and unhealthy competition to avoid disastrous and catastrophic extinction of rice farming from the region. This is because achieving equality in competitiveness with developed countries’ large farmers needs much more than policy. The difficulties faced in farming techniques, equipment, access to credit and transportation mean that encouragement is needed across the chain to ensure that local production continues. According to Lançon, if government was to step in at every level — to help farmers improve yield, to help processors improve quality and to publicize improved quality of local produce to the people — then there would be a coherent approach that would benefit everyone (Africa Rice Center, 2002). This would restore the confidence of the consumers in local produce and increase sales for farmers. Nonetheless, the hijacking of the rice market by imported rice means that they dictate and control the supply and demand of rice.

Despite the harsh lessons from the Green Revolution that resulted in environmental degradation and increased income inequality, inequitable asset distribution, and worsened absolute poverty among small-holder farmers while enriching bigger farmers (IFPRI, 2002), the policy options adopted by most west African governments were basically subservient to IFIs’ prescription without any attempt to focus on building a strategic and sustainable small-holder-led rice sector. During the early days of market liberalization, the price of rice was high, thus providing incentives for small-holder farmers within the region to boost productivity through return on sales. It also created opportunity for domestic rice traders and retailers. For instance, in Nigeria in the 1980s, output increased to 1 mt, area cultivated to 550 000 ha, yield rose to 1.98 t/ha and imports declined (Akande, 2002). However, the region was shortly undercut by a sharp decrease in the price of rice at a time when there was no strategic framework in place to protect the small-holders following subsidy removal that stripped them of public support and exposed them to unhealthy and asymmetric competition with imported rice. Consequently, during the 1990s, rice imports increased and local production decreased; in 1999, the value of Nigeria rice import reached $259 million. This implies that between 1961 and 1999, Nigeria had spent $4 billion on rice imports alone, an average annual value of $102 million (Akande, 2002), which resulted in a drastic decrease in rice production and yield for a protracted period of over 20 years (FAO, 2004).

Questions then arose about the capacity of the various governments of the sub-region to sustain the imports rather than invest and support local production, especially in a period when many Asian rice-producing countries were diversifying their production to crops other than rice. This supposedly should have signaled an opportunity for an increase in local production and less dependence on imports through a comprehensive plan of support to the small-holder farmers. However, through agricultural liberalization policies and following the IFIs’ policy choices, governments of most west African countries opened up their boarders to rice imports and, from 2003 to 2007, rice consistently ranked among the most imported food commodities in Nigeria.7 Ironically, a country that was self-sufficient in rice in the 1960s, has been totally import dependent since the 1990s. Rather than build on the production and existing skills of the small-holder rice producers in a way that would lift them to a competitive level to allow incremental development of local production and decrease in imports, the government exposed the farmers to unhealthy and harsh competition by subscribing to the agricultural liberalization without properly designing a progressive and sustainable approach for the growth and development of the small-holder rice sector. Consequently, rice production began to decrease as imports increased. Available evidence shows retrogression in yield from 1.98 t/ha in the 1980s to 1.47 t/ha in 2000. A

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6 He has been cultivating rice on a hectare of land for more than 30 years and earns $215 annually growing and selling rice, which accounts for 60% of family income including the payment for his two sons’ education as well as health and other expenses. Conversely, in the USA, the government pays a subsidy equivalent to $232 per hectare of rice grown. In reaction to this, Al-Hassan says, “if I have my way, I would stop US rice coming into the country, and I will tell you, if it didn’t come in we would have progressed and we would be out of poverty … if the price of rice get any cheaper, the market for our rice would completely come to standstill. Even with the import tariffs that we have now, look at the situation we face. If we can’t sell our rice, there is no way that we could afford to buy the fertilizer and other inputs we need — then we would have no crop to sell” (see Raworth and Green, 2005, for Al-Hassan’s testimony).

7 Nigeria imported 1.6 mt of rice in 2003; 1.35 mt in 2004; 1.040 322 mt in 2005; 963 140 t in 2006; and 563 877 t in 2007, which ranked second to fourth of most imported food crop (http://faostat.fao.org/site/339/default.aspx).
sharp and direct comparison shows a clear decrease in average national yield and the retrogression of Nigerian small-holder rice farming — a problem traceable to the liberalization of agriculture.

**Conclusion**

Agricultural liberalization created two unequal worlds of rice farming. The first comprises the industrial large farms in the developed countries, accessing supports such as direct subsidies. The other comprises the agro-ecological small-holders largely located in the developing world, stripped of public support due to adjustment programs, yet dependent on their rice farming for their livelihoods. The outcome is the creation of an uneven and exploitative rice market on the one hand and re-peasantization and deactivation of small-holder rice farming on the other hand.

This is related to the fact that agricultural liberalization took the sovereignty of the rice market away from the agro-ecological farmers in west Africa and handed it to the highly integrated industrial farmers in developed countries whose means of production are supported and advanced by their governments. However, this level of asymmetry has remained unabated because agricultural liberalization is unevenly regulated against the developing countries by the WTO, whose policies represent the interests of the hegemonic powers against the weaker countries and people. Hence, policies of developed countries are rarely challenged by the WTO, because the rules that govern them are set by these powerful states, who then impose their will on weaker states through the same institution (Nayyar, 2002; Stiglitz, 2006; Greig et al., 2007). Thus, institutions of global governance like WTO that championed the same weaker countries and people. Hence, policies of developed countries are rarely challenged by the WTO because the rules that govern them are set by these powerful states, who then impose their will on weaker states through the same institution (Nayyar, 2002; Stiglitz, 2006; Greig et al., 2007). Thus, institutions of global governance like WTO that championed the market agenda create a development agenda that reinforces Northern interests and perpetuates false characteristics of the benefits and cost of agricultural trade liberalization on the poor small-holder farmers in the South. On this note, I conclude that:

‘Our daily bread’ is not just another commodity which can be left to market forces alone. Neither should it be governed by policies which narrowly focus on protecting the interests of small groups of actors, or which use food as a political tool. Balanced policies are needed to safeguard basic human needs and rights of all. Such a balanced approach to the economics of food production, distribution and consumption should systematically address the patterns of ownership of, access to, and use of resources, with the ultimate aim of eradication poverty, hunger and injustice (Sharma, 2005, p 5).

**References**


